



IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

September 27, 1984

You state that you are entitled to a dividend distribution from _____ Power Company. You ask what the Massachusetts individual income tax consequences will be if you elect to reinvest the dividend pursuant to Section 305(e) of the Internal Revenue Code.

Massachusetts gross income is the federal gross income with certain modifications set forth in General Laws Chapter 62, Section 2(a) and (b). One such modification is Section 2(a)(1)(H) which requires that amounts excluded from federal gross income under Internal Revenue Code, Section 305(e) be added back in computing Massachusetts gross income. Therefore Massachusetts does not recognize the federal exclusion of reinvested qualified public utility dividends and you will be taxed on this income in the year of the distribution.

You also inquire as to the basis of the shares received in the dividend distribution. Since January 1, 1980 Massachusetts basis for computing gains and losses upon the sale or exchange of property is the federal basis. Prior to that date General Laws Chapter 62, Section 7 provided for adjustments to federal basis in computing Massachusetts basis. Section 7 was repealed in 1979 however, and there is currently no statutory authority providing for differences in federal and Massachusetts basis.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Ira A. Jackson".

Commissioner of Revenue

IAJ:JJT:mf

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